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## Maryland legislators reach deal on budget over roads, teacher pensions

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Annapolis, Md. -- Maryland lawmakers reached a compromise Thursday on a \$32 billion budget that would cut a major source of funding for local road projects for the foreseeable future but would spare counties from beginning to share in the ballooning costs of teacher pension benefits.

The trade-off was rich with election year symbolism, with House Democrats unwilling to support a Senate proposal that would have required them to go against Maryland's powerful teachers unions. Teachers fear that shifting pension costs to counties could limit future pay increases and complicate negotiations over health and retirement benefits, which the state now pays with few questions asked.

House Republicans also rejected the plan, saying that pushing more costs on local governments could force cash-strapped counties to raise taxes.

As a compromise, however, House leaders were forced to accept a Senate proposal to all but eliminate a major source of funding for local road construction and maintenance for as far into the future as the state estimates its budget.

For the next year, counties will have to contend with almost no "highway user" revenue, which is supposed to be a local share of the state's gas tax. And through 2015, they will have to make do with less than 10 percent of the hundreds of millions they have typically received each year over the past two decades.

In Montgomery County, that means that what was a \$46 million stream of revenue to fix potholes and pay for other road repairs in 2008 will amount to about \$1 million next year, and then increase by little more than that for four more years.

"If these cuts were indeed the new normal, that would not be an acceptable outcome," said Montgomery County Council member Roger Berliner (D-Potomac-Bethesda) when briefed Thursday on the outlines of the budget compromise. "They are not pretty options for anyone."

The cuts to local road funding became inescapable this week after Senate negotiators wouldn't budge on their goal of shrinking future budget shortfalls included in the spending plan that Gov. Martin O'Malley proposed in January.

O'Malley's budget closed a \$1.9 billion shortfall in the fiscal year beginning in July -- half through cuts and half through one-time transfers and other budget maneuvers -- but left shortfalls projected at near-record levels of \$2 billion or more annually through 2015.

The budget the House and Senate conference committee agreed to Thursday -- and that both chambers hope to vote on Friday -- would cut the governor's projected deficit in 2015 from \$2.2 billion to \$1.5 billion.

It also calls for setting up an independent commission to study Maryland's rising public employee pension costs. That group would be charged with drafting a comprehensive cost-sharing plan with local governments by the end of this year. State lawmakers would debate those changes next year, after a new legislature is seated for a four-year term, but the changes would probably not be instituted until at least 2013.

Aside from extending the cuts to road funding and setting up the pension commission, the General Assembly did little else to alter the budget plan O'Malley proposed for the coming fiscal year.

Education funding continues to increase, and money earmarked for almost every other state program stays the same or shrinks. Overall general fund spending decreases from \$13.4 billion to about \$13.2 billion, or about what it was four years ago.

As part of that, however, the budget relies on about \$900 million in federal stimulus money and assumes that nearly \$400 million more will come from Washington to extend a higher federal match for Medicaid payments that is scheduled to expire halfway through the coming fiscal year.

The budget also includes \$20 million for O'Malley's proposed hiring tax credit that the legislature approved last month.

Another \$20 million would go to the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund, a record appropriation O'Malley listed as a priority in February in his State of the State address.

The bay fund should have received \$43 million this year under a state formula, said Kim Coble, executive director of the Chesapeake Bay Foundation. The appropriation had dropped during recent budget negotiations to \$10 million, or about what the legislature appropriated last year, but was restored Thursday to \$20 million after intense lobbying in recent days by environmental groups.

Coble said advocates effectively demonstrated that spending on the bay fund can create jobs.

Few others involved in the negotiations, however, said they were pleased with the final product.

"We're in a death spiral when it comes to the costs, and something's got to happen," said Sen. David R. Brinkley (R-Frederick), adding that he was frustrated that a solution for the state's nearly \$1 billion in annual teacher pension costs was not part of the deal.

Del. John L. Bohanan Jr. (D-St. Mary's) said the hardest pill to swallow was the cuts to local road funding. But financially, "it's the reality of where we are," he said.

Still, lawmakers also agreed to continue a controversial program that allows each elected state lawmaker to decide how to distribute tens of thousands of dollars in college scholarships each year to students in their districts. The House had voted to have an independent state commission take over the \$11.5 million program. The Senate balked.

*Staff writer Michael Laris contributed to this report.*